

EX PARTE OR LATE FILED



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Director
Regulatory Matters

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N. W.
Washington, D. C. 20554

RE: EX PARTE - PP DOCKET 93-253

Dear Mr. Caton:

In November, 1993, GTE Service Corporation filed Comments and Reply Comments in the above-referenced proceeding, stating its position generally on various issues concerning competitive bidding. GTE subsequently prepared an outline of its proposed electronic competitive bidding plan, further illustrating points raised in the earlier filings.

Please include this letter, and the attached material, in the record of this proceeding in accordance with the Commission's rules concerning ex parte communications.

Questions concerning this information should be directed to the undersigned at 463-5292.

Sincerely,

Carol L. Bjelland

Attachment

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GTE ELECTRONIC COMPETITIVE BIDDING PLAN

PREAUCTION EVENTS:

1. **FCC Public Notice of Application and Auction Schedule**
 - a. Announces spectrum allocations and service areas for which auctions will be held.
 - b. Sets cut off dates for filing applications that demonstrate bidder and licensee qualifications.
 - c. Sets date certain for initiation of bidding process.
 - d. Specifies security deposits that must accompany applications to demonstrate qualifications.
 - e. Advises prospective bidders where and how applications must be filed with FCC.
2. **Application Content and Showing of Bidder Qualifications**
 - a. Name of bidder.
 - b. Ownership of bidder.
 - c. Spectrum and service areas for which bidder qualification is sought.
 - d. Security Deposit(s).
 - e. Name(s) of person(s) authorized to represent bidder during the auction(s).
 - f. Acknowledgement that security deposit will be forfeited if payment is not made consistent with FCC requirements.
 - g. Anti-drug certification.
 - h. Certification of eligibility to bid for license(s) under FCC rules.

- i. Certification for Designated Entity bidders of eligibility under FCC rules.
3. FCC Public Notice Accepting Applications and Announcing Pre-Qualified Bidders
 - a. List of all applications accepted for filing for each spectrum block and each service area.
 - b. List of persons qualified to represent bidders at auctions.
 - c. Sets forth procedural details of scheduled auctions.

AUCTION RULES AND PROCEDURES:

1. Simultaneous auctions of PCS spectrum for same size spectrum blocks
 - a. First, auction simultaneously all 30 MHz PCS MTAs.
 - b. Next, auction simultaneously all 20 MHz and all Block D 10 MHz PCS BTAs for designated entities.
 - c. Finally, auction simultaneously the Block E, F and G 10 MHz PCS BTAs.
2. Iterative bidding process affording reasonable opportunity for bidder evaluation and reaction to bid increases
3. No separate or special combinatorial bidding procedures
 - a. Simultaneous, iterative bidding eliminates need for separate combinatorial bidding to aggregate spectrum or geographic service areas.
 - b. Combinatorial bidding would add an unnecessary layer of complexity.
4. Full public disclosure of pending highest bids, the increment above the last bid tendered, identity of the license block and bidder identity
5. Evergreen security deposit system for multi-market bidders

- a. Minimum security deposit in an interest bearing escrow account for multi-market bidders greater than minimum security deposit for single market bidders.
- b. Monies would be removed from the escrow account on a next day basis by the FCC as it accepts PCS bids.
- c. Ability to replenish security deposit within 24 hours if winning bids begin to exceed minimum per market security deposit.
- d. The FCC would have control of the deposit until the bidder withdraws from the bidding process and the FCC relinquishes control of the account. Interest on the account paid to bidder.
- e. With the escrow account arrangement, auction winners should be given a minimum of five to seven work days before submitting the total bid price.

ELECTRONIC BIDDING SYSTEM:

- 1. Bids submitted by computer during a four to six hour period daily
 - a. Computer bids could be submitted using the available narrowband technology of the Public Switched Telephone Network ("PSTN"). A user would call in using the PSTN to the modem pool, which would establish a link to the communications server (a UNIX workstation, mini, or mainframe depending upon the sizing required for the number of auction participants and the configuration of the main auction CPU).
 - b. A controlled user account would access the user profile database containing pertinent information about each of the auction participants for system security. After successfully accessing the user account, the bidder would be able to submit a bid and receive information about auction progress using a PC and modem.
 - c. The communications server with resident security application would be physically separate from the main CPU to ensure that the auction database is adequately partitioned from unauthorized user access. System control

on the main auction CPU would provide system flow control and management. Auction and security management could be implemented through a user interface (an X-windows/motif) on either the main CPU or communications server.

- d. Diagram attached.
2. Network/database security systems would be implemented
- a. Authentication, authorization and auditing capabilities are required.
 - b. An authorized representative of a bidder is required to appear in person before the administrator to pick up a designated user name, Password identification, and shrink wrapped, pre-tested, copy numbered and tamper proof (copy protected) software.
 - c. On-line access is conditioned upon (i) remote authentication of the bidder by password and call back verification; (ii) use of updated virus-scanning software to ensure that data are not corrupted; and (iii) parallel confirmation by an alternative medium (e.g., telephonic or facsimile confirmation of electronic bids).

CONDUCT OF AUCTION PROCESS:

- 1. Commence auction with confirmation of qualified bidders, their representatives and bidding procedures
- 2. Opening bids should exceed security deposit minimum by a fixed multiple
- 3. Minimum increases in bids would be larger in earlier rounds than in later rounds (e.g., 5% at opening; bid increments reduced to 4% when number of bidders falls to 10; reduce bid increments to 2-3% when 6 bidders remaining; bid increments of 1/2 - 1% when final 2 bidders remaining)
- 4. Each bidding "round" would be open for bids from all qualified participants and highest bids and bidders for each MTA or BTA will be compiled and publicly disclosed after each bidding round is concluded (Bidding information disclosed by FCC publication or electronic access to database)

5. Bidders are not required to participate in each round of the bidding to retain their qualified and active bidding status -- multi-market bidders are deemed active as long as they have bid in any one market
6. Bidding sessions for each MTA or BTA would continue until an incremental increased bid is not received within two hours
7. Winning bids would be announced and all bidding participants notified
8. Prompt payment would be required from winning bidder (five to seven working days)
9. Auction for an MTA or BTA would be finalized with receipt of payment

ELECTRONIC BIDDING SYSTEM

